

SUMMARY ANALYSIS OF AMENDED BILL

Author: Arambula Analyst: Jennifer Bettencourt Bill Number: AB 1812
 Related Bills: See Prior Analysis Telephone: 845-5163 Amended Date: April 2, 2008
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: California Firefighters' Memorial Fund And California Peace Officer Memorial Foundation Fund/Extend Repeal Date to January 1, 2016 / Fire Safety Fund

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED

☒ January 16, 2008, STILL APPLIES.

☒ OTHER – See comments below.

SUMMARY

This bill would do the following:

- Establish the Fire Safety Fund and add it to the personal income tax (PIT) return as a voluntary contribution fund, and
- Extend the repeal dates for the California Firefighters' Memorial Fund and the California Peace Officer Memorial Foundation Fund.

SUMMARY OF AMENDMENTS

The April 2, 2008, amendments would extend the repeal dates for the California Firefighters' Memorial Fund and the California Peace Officer Memorial Foundation Fund. The amendments would also add fire protection districts as possible recipients of the grants from the Fire Safety Fund.

As a result of these amendments, the "Economic Impact" discussion provided in the department's analysis of the bill as introduced January 16, 2008, has been revised. An additional technical concern has been identified and an amendment has been provided.

Board Position:

_____ S _____ NA _____ NP
 _____ SA _____ O _____ NAR
 _____ N _____ OUA ☒ PENDING

Asst. Legislative Director

Date

Patrice Gau-Johnson

4/28/08

In addition, the “Effective/Operative Date,” “This Bill,” and “Program Background” discussions have been updated. With the exception of the discussions below, the analysis of this bill as introduced January 16, 2008, still applies.

EFFECTIVE/OPERATIVE DATE

If enacted during 2008, this bill would become effective on January 1, 2009, and operative as of that date.

ANALYSIS

THIS BILL

This bill would extend the repeal date for the California Firefighters’ Memorial Fund and the California Peace Officer’s Memorial Foundation Fund from January 1, 2011, to January 1, 2016.

This bill would also establish the Fire Safety Fund (Fund) and add it to the PIT return as a voluntary contribution fund. Taxpayers would be able to designate their own funds, not tax liability, for contribution to the Fund on their PIT return in full dollar amounts of \$1 or more. Each signatory on a joint return may make the contributions individually. The designations for any taxable year must be made on the initial return for the taxable year and, once made, are irrevocable. A charitable contribution would be allowed for a contribution made pursuant to this bill that would be subject to the itemized deduction rules applicable to individuals.

This Fund would provide grants for city, county, city and county, fire protection districts, and volunteer fire departments to provide fire/smoke alarms to low-income households free of charge.

This bill would specify that if the taxpayer’s payments and credits reported on the PIT return fail to exceed the tax liability, the designation on the return would be treated as if no designation has been made.

This bill would require the Franchise Tax Board (FTB) to revise the tax return to include a designation space for the Fund beginning with the first taxable year another voluntary contribution fund is removed. It is assumed the Fund would be first placed on the PIT return for the 2008 taxable year. The remainder of the This Bill discussion reflects this assumption.

Beginning with contributions made in 2010, this bill would require the fund to meet a minimum contribution amount for each calendar year thereafter. The “minimum contribution amount” for a calendar year is defined as \$250,000 or an amount adjusted for inflation for contributions made in subsequent years. The law authorizing designations to this fund would be repealed if contributions made under this bill fail to meet the minimum contribution amount. Otherwise, this bill would allow the voluntary contribution designation to remain on the tax return for five years, unless a later enacted statute deletes or extends that date.

If the Fund first appeared on the PIT return for the 2008 taxable year, it would remain on the PIT return until January 1, 2013, in this case the PIT return for the 2012 taxable year, unless a later enacted statute deletes or extends that date, and provided that it meets the annual minimum contribution requirement.

This bill would require FTB to do the following by September 1 of each subsequent calendar year that the Fund appears on the tax return:

- Determine the minimum contribution amount required to be received during the next calendar year for the fund to remain on the return.
- Notify the Office of Emergency Services (OES) in writing of the minimum contribution amount required for the next calendar year.
- Determine if the amount of contributions estimated to be received during the current calendar year will equal or exceed the minimum contribution amount required for that calendar year.

FTB would be required to notify the State Controller of both the amount of money paid by taxpayers in excess of their tax liability and the amount of refund money they have contributed to the Fund.

This bill would require the State Controller to transfer money designated for this fund by taxpayers from the Personal Income Tax Fund to the Fund. Upon appropriation by the Legislature, the monies from this fund would be allocated as follows:

1. FTB and the Controller for reimbursement of costs incurred in administering the fund.
2. The OES for the award of grants to city, county, city and county, and volunteer fire departments.

This bill would prohibit the OES from using funds for staffing or other administrative costs and require OES to develop and implement the grant program.

PROGRAM BACKGROUND

Eleven voluntary contribution funds appeared on the 2007 California PIT returns. Total contributions to these funds have varied from approximately \$3.4 million for the 1989 taxable year to approximately \$4.2 million¹ for the 2006 taxable year.

¹ Amount contributed through December 27, 2007.

The California Firefighters' Memorial Fund first appeared on the 1993 return, and is not subject to a minimum contribution amount. This fund has received approximately \$2.5 million in contributions since 1993. The following are the total annual contributions for the past three years:

California Firefighters' Memorial Fund Contributions		
2005	2006	2007
\$187,132	\$202,927	\$213,236

The California Peace Officer's Memorial Foundation Fund first appeared on the 1999 return, and is not subject to a minimum contribution amount. This fund has received approximately \$1.5 million in contributions since 1999. The following are the total annual contributions for the past three years:

California Peace Officer's Memorial Foundation Fund Contributions		
2005	2006	2007
\$183,269	\$180,395	\$166,602

ECONOMIC IMPACT

Revenue Estimate

Based on data and assumptions discussed below, the PIT revenue loss from this bill would be as follows:

Estimated Revenue Impact of AB 1812 Effective On Or After January 1, 2008 Enactment Assumed After June 30, 2008			
	2009-10	2010-11	2011-12
Fire Safety Fund	No impact	-\$150,000	-\$150,000

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

Revenue Discussion

The revenue impact of this bill would be determined by the amount of contributions to the Fire Safety Fund and the subsequent itemized deduction of such charitable contribution.

For this estimate, the following assumptions are made:

1. The fund would be added to the 2008 return,
2. The minimum contribution amount (\$250,000) would be achieved each year, and
3. An itemized deduction would be allowed and claimed for each contribution.

By applying an average marginal tax rate of 6%, the estimated revenue loss of this bill would be \$15,000 annually ($\$250,000 \times 6\% = \$15,000$). Because contributions reported on the 2008 tax return are actually made during the 2009 calendar year, the revenue impact would not occur until fiscal year 2009-10.

The revenue impact of extending the repeal date for the California Peace Officer Memorial Foundation Fund and the California Firefighter Memorial Fund cannot be determined because under current law these funds would be repealed January 1, 2011, and the revenue impact of this bill would not change until after that date, which is outside of the three year budget window. However, it is assumed that the revenue impact would be less than \$150,000.

TECHNICAL CONSIDERATION

This bill should specify that the tasks outlined for FTB to complete by September 1 should begin with September 1 of the second calendar year that the Fund is on the return. Amendment 1 has been provided to resolve this concern.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 1812
As Amended April 2, 2008

AMENDMENT 1

On page 6, line 19 after 'By' insert:

September 1 of the second calendar year, and by